

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 IGA-02 AGR-20 OMB-01 TRSE-00

FRB-02 XMB-07 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-13 DRC-01 COME-00 AID-20 /188 W

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P 212104Z SEP 73

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 9544

LIMITED OFFICIAL USE SECTION 1 OF 2 BOGOTA 7861

FOR AIDAC PASS USDA/EMS FOR MEAD

E.O. 11652: N/A

TAGS: EAGR

SUBJ: MODIFICATION OF COLOMBIA'S FY1974 PL-480 REQUEST

1. EMBASSY HAS RECEIVED AN OFFICIAL REQUEST FROM THE GOC TO MODIFY COLOMBIA'S FY-1974 PL-480 REQUEST ALONG LINES INDICATED BY VICEMINAG AND IDEMA MANAGER IN WASHINGTON MEETINGS THE WEEK OF AUGUST 26. THE NEW COLOMBIAN REQUEST IS FOR 60,000 MT OF WHEAT FOR DECEMBER-JANUARY SHIPMENT, 10,000 MT OF REFINED SOYBEAN OIL AND 40,000 MT OF SORGHUM.

2. THE REDUCTION IN THE AMOUNT OF WHEAT REQUESTED FROM 150,000 MT TO 60,000 MT IS AN ATTEMPT BY THE GOC TO RECONCILE THEIR ABSOLUTE MINIMUM NEEDS WITH THE TIGHT US SUPPLY SITUATION. THE REQUEST FOR THE SOYBEAN OIL AND SORGHUM RESULTS FROM SUGGESTIONS MADE BY WASHINGTON OFFICIALS THAT IN VIEW OF THE OUTLOOK FOR WHEAT COLOMBIA SHOULD CONSIDER SUBSTITUTION OF OTHER PRODUCTS. SOYBEAN OIL WAS SPECIFICALLY MENTIONED.

3. THE EMBASSY STRONGLY SUPPORTS THIS REQUEST. WE RECOGNIZE AS DOES THE GOC THAT THERE IS PRACTICALLY NO AVAILABILITY OF LIMITED OFFICIAL USE

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WHEAT NOW FOR PL-480 PROGRAMMING. HOWEVER, WE FEEL THAT IF SOME

QUANTITY OF WHEAT DOES BECOME AVAILABLE FOR TITLE I PROGRAMS OVER THE NEXT FEW MONTHS, COLOMBIA SHOULD BE ACCORDED HIGHEST PRIORITY FOR ALLOCATION. IN THE MEANTIME WE BELIEVE EVERY EFFORT SHOULD BE MADE TO MEET COLOMBIAN REQUESTS FOR SOYBEAN OIL AND SORGHUM, PARTICULARLY IN VIEW OF IMPROVED US SUPPLY POSITION FOR THESE PRODUCTS INDICATED IN SEPTEMBER 11 CROP REPORT. EMBASSY BELIEVES ON CONSIDERATION OF RELEVANT DATA THAT UMRS OF 15,000 MT FOR OIL AND 80,000 MT FOR CORN/SORGHUM WOULD BE APPROPRIATE.

4. THE SERIOUSNESS OF THE FOOD AND PARTICULARLY WHEAT SITUATION HERE HAS BEEN AMPLY DISCUSSED IN WASHINGTON MEETINGS AND IN REFTELS. HOWEVER, TO SUMMARIZE BRIEFLY, WHEAT IS THE MAIN CONSUMPTION STAPLE OF 80 PERCENT OF THE POPULATION WHICH HAS AN ANNUAL INCOME OF LESS THAN USDOLS 100/YEAR. TO MAINTAIN THE PRICE OF WHEAT AT A LEVEL CONSISTENT WITH THE PURCHASING POWER OF THIS GROUP, THE GOC HAS BEEN SUBSIDIZING THE DIFFERENCE BETWEEN THE LANDED COST OF IMPORTED WHEAT AND THE DOMESTIC SELLING PRICE OF USDOLS 118/MT FOR MORE THAN A YEAR NOW. THIS SUBSIDY HAS COST IDEMA AN ESTIMATED USDOLS 32 MILLION TO DATE PLACING TREMENDOUS STRAIN ON THE GOC BUDGET. THE ALTERNATIVE OF ALLOWING THE DOMESTIC PRICE OF BREAD TO INCREASE IN ACCORDANCE WITH INTERNATIONAL PRICE MOVEMENTS WOULD HAVE ADDED TO THE ALREADY STRONG INFLATIONARY PRESSURES IN THE ECONOMY (THE RATE OF INFLATION IS NOW RUNNING AT AN ANNUAL RATE OF ABOUT 26 PERCENT VS. 14 PERCENT IN 1972) AND IN EFFECT ELIMINATED WHEAT FROM POPULAR CONSUMPTION WITH NO SUBSTITUTE AVAILABLE.

5. THIS WOULD BE DIFFICULT IN ANY YEAR BUT CLEARLY IMPOSSIBLE IN A PRE-ELECTION YEAR. AS THE GOC IS WELL AWARE, THE ANAPISTAS AND EXTREMIST ELEMENTS WITH A SENSITIVE ISSUE LIKE AN INCREASE IN THE COST OF BREAD COULD CAPITALIZE ON POPULAR DISCONTENT AND PERHAPS REPEAT THE GAINS OF THE 1970 ELECTIONS.

6. GOC OFFICIALS HAVE ALSO POINTED OUT IN NUMEROUS DISCUSSIONS WITH USG OFFICIALS THAT WE HAVE FOR YEARS ENCOURAGED COLOMBIA TO SHIFT FROM WHEAT TO FEEDGRAINS PRODUCTION USING AVAILABILITY OF PL-480 WHEAT TO MAKE RESULTING DEPENDENCE ON IMPORTED WHEAT MORE PALATABLE. AS A RESULT DOMESTIC WHEAT PRODUCTION HAS DECLINED FROM 160,000 TO 50,000 MT WHILE CONSUMPTION HAS DOUBLED LIMITED OFFICIAL USE

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TO AN ESTIMATED 450,000 MT. IT IS EXTREMELY DIFFICULT THEREFORE FOR THEM TO ACCEPT THE UNAVAILABILITY OF PL-480 WHEAT PRECISELY AT THE TIME WHEN BECAUSE OF HIGH INTERNATIONAL PRICES AND DROUGHT REDUCED DOMESTIC PRODUCTION (BEGIN UNDERLINE) THEIR NEED (END UNDERLINE) IS GREATEST.

7. THE BUDGETARY STRAIN CAUSED BY A SUBSIDY OF THIS MAGNITUDE WOULD HAVE BEEN DIFFICULT ENOUGH IN ISOLATION, HOWEVER AS A

RESULT OF SEVERE DROUGHT LAST YEAR COLOMBIA HAS BEEN FORCED TO IMPORT UNUSUALLY LARGE QUANTITIES OF A WHOLE RANGE OF AGRICULTURAL PRODUCTS INCLUDING CORN, SOYBEANS AND SORGHUM. IN AN EFFORT TO RESTRAIN THE SKYROCKETING COST OF LIVING, THE GOC HAS ALSO SUBSIDIZED CONSUMPTION OF THESE ITEMS AT AN ESTIMATED ADDITIONAL BUDGETARY OUTLAY OF USDOLS 8-10 MILLION. THE GOC IS NOW AT A POINT WHERE IT CANNOT MAINTAIN THE PRESENT PACE OF COMMERCIAL AGRICULTURAL IMPORTS DUE TO THE COST OF SUBSIDIZING DOMESTIC CONSUMPTION. NEITHER CAN THE GOVERNMENT PERMIT INTERNAL PRICES TO RISE BECAUSE OF THE HUNGER AND UNSTABLE POLITICAL SITUATION THAT WOULD RESULT. THUS THE GOC HAS DETERMINED AT THE HIGHEST LEVELS THAT THE ONLY HOPE OF OBTAINING RELIEF IN THE CRUCIAL MONTHS AHEAD IS THE PURCHASE THROUGH PL-480 OF THE QUANTITIES INDICATED OF WHEAT, SOYBEAN OIL AND SORGHUM WITH AN ESTIMATED MARKET VALUE AT CURRENT PRICES OF USDOLS 22 MILLION.

8. DATE JUSTIFYING THE WHEAT REQUEST IS CONTAINED IN REF B. # COLOMBIA HAS PURCHASED ENOUGH WHEAT AND FLOUR TO MEET REQUIREMENTS UP TO DECEMBER. THE 60,000 MT REQUESTED FOR DECEMBER-JANUARY DELIVERY CONSTITUTES ABOUT 2 MONTHS CONSUMPTION (AT

NOTE BY OC/T: # (PARA 8, "REF B"). SERVICED FOR MISSING REFERENCE(S).

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USIA-15 ACDA-19 IO-13 DRC-01 COME-00 AID-20 /188 W

----- 031248

P 212104Z SEP 73

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 9545

LIMITED OFFICIAL USE SECTION 2 OF 2 BOGOTA 7861

FOR AIDAC PASS USDA/EMS FOR MEAD

A RESTRICTED LEVEL) AND SLIGHTLY LESS THAN ONE-THIRD OF ESTIMATED IMPORT REQUIREMENTS OF 210,000 MT FOR THE DECEMBER-JUNE PERIOD. THE REMAINING WHEAT WILL BE PURCHASED IN THE US.

9. COLOMBIA IS CURRENTLY SUFFERING AN ACUTE SHORTAGE OF VEGETABLE OIL AS A RESULT OF A SHARP DECLINE IN DOMESTIC COTTONSEED PRODUCTION. AS A RESULT THE GOC HAS AUTHORIZED COMMERCIAL IMPORTATION OF 20,000 MT OF SOYBEAN OIL IN ADDITION TO THE 10,000 MT OF REFINED SOYBEAN OIL REQUESTED UNDER PL-480. THE GOC NEEDS THE PL-480 OIL FOR DELIVERY BEFORE DECEMBER SO AS NOT TO DEPRESS DOMESTIC PRICES FOR THE SOYBEAN CROP WHICH WILL BE HARVESTED IN JANUARY. SINCE TIMING IS IMPORTANT FOR THE SOYBEAN OIL EMBASSY RECOMMENDS CONSIDERATION BE GIVEN TO THE POSSIBILITY OF PROVIDING THIS OIL UNDER AN AMENDMENT TO THE FY-1973 AGREEMENT*

10. AS A RESULT OF THE DROUGHT COLOMBIA IS ALSO EXPECTED TO IMPORT 140,000 MT OF CORN AND/OR SORGHUM IN FY-1974. 40,000 MT OF SORGHUM ARE REQUESTED UNDER PL-480. CORN/SORGHUM ARE CONSIDERED TOGETHER IN THE FOLLOWING DATA AND SUGGESTED UMR AS PRICE IS THE MAIN DETERMINANT OF WHETHER CORN OR SORGHUM IS LIMITED OFFICIAL USE

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11. S&D DATA IS AS FOLLOWS (THOUSAND MT). FY DATA NOT AVAILABLE FOR OILS.

EDIBLE OILS	CY 1971	CY 1972	CY 1973
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BEGINNING STOCKS	22.4	35.7	23.4
PRODUCTION	104.9	110.4	113.2
IMPORTS	34.9	10.0	30.0
COMMERCIAL	34.9	10.0	20.0
PL-480	0	0	10.0
TOTAL SUPPLY	162.2	156.1	166.0
CONSUMPTION	126.5	132.7	138.4
EXPORTS	0	0	0
ENDING STOCKS	35.7	23.4	27.6
TOTAL DISTRIBUTION	162.2	156.1	166.0

CORN/SORGHUM	FY 1972	FY 1973	FY 1974
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BEGINNING STOCKS	35.0	45.0	41.0
PRODUCTION	950.0	860.0	1,010.0
IMPORTS	25.0	106.0	108.0
COMMERCIAL	25.0	106.0	108.0
PL-4802	0	0	40.0
TOTAL SUPPLY	1,010.0	1,001.0	1,199.0
CONSUMPTION	975.0	960.0	1,175.0

EXPORTS	0	0	0
ENDING STOCKS	35.0	41.0	24.0
TOTAL DISTRIBUTION	1,010.0	1,001.0	1,119.0

ADDITIONAL INFORMATION CAN BE OBTAINED FROM THE APPROPRIATE
FAS GRAIN AND FEED AND FATS AND OILS REPORTS.

12. WE WOULD APPRECIATE REPLY TO THIS REQUEST ASAP. ALTHOUGH THERE
HAS BEEN NO COMMITMENT TO PROVIDE THE FY74 PROGRAM LEVEL
REQUESTED BY COLOMBIA, USG OFFICIALS HAVE INDICATED INFORMALLY
THAT WE WOULD DO WHAT WE COULD TO RESPOND FAVORABLY. THE COL-
OMBIANS WILL BE EXTREMELY DISAPPOINTED IF WE CANNOT MEET WHAT
THEY VIEW AS THEIR MINIMUM REQUEST FOR WHEAT. HOWEVER GIVEN THE
BLEAK OUTLOOK FOR PL-480 WHEAT PROGRAMMING OVER THE NEXT FEW
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MONTHS WE SHOULD MAKE EVERY EFFORT TO RESPOND FAVORABLY AND
QUICKLY TO GOC REQUESTS FOR REFINED SOYBEAN OIL AND SORGHUM.
WHILE THESE PRODUCTS WILL NOT SUBSTITUTE FOR THE ADDITIONAL
90,000 MT OF WHEAT ORIGINALLY REQUESTED THEY WILL ASSIST THE
GOC TO INCREASE THE SUPPLY OF BASIC FOOD COMMODITIES AND COMBAT
INFLATION,AND AT THE SAME TIME SERVE TO DEMONSTRATE US WILLING-
NESS TO HELP COLOMBIANS IN THEIR TIME OF NEED.
WHITE

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